

# TIDEWAY – HOLDCO GROUP INVESTOR REPORT H2 2023/24

June 2024



Tideway



# Notice

## IMPORTANT NOTICE

This Investor Report is being distributed by Bazalgette Tunnel Limited (“BTL” “Tideway” or “the Borrower”) (as ‘Holdco Group Agent’) on behalf of each Obligor pursuant to the Common Terms Agreement (CTA). BTL trades as “Tideway”.

This Investor Report contains forward looking statements that reflect the current judgment of the management of the Obligors regarding conditions that it expects to exist in the future. Forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will occur in the future and, accordingly, are not guarantees of future performance. Management’s assumptions rely on its operational analysis and expectations for the operating performance of each of the Obligor’s assets based on their historical operating performance and management expectations as described herein. Factors beyond management’s control could cause events to differ from such assumptions and actual results to vary materially from the expectations discussed herein. Investors are cautioned that the assumptions and forecast information included herein are not fact and should not be relied upon as being necessarily indicative of future results and are cautioned not to place undue reliance on such assumptions and forecast information. It should also be noted that the information in this Investor Report has not been reviewed by the Obligors’ auditors.

## BASIS OF PREPARATION

Investor Reports relate to the performance of the Holdco Group which includes Bazalgette Holdings Limited (“BHL” or “Holdco”), Bazalgette Finance plc (“Finco”) and BTL. This Investor Report comments on the historical financial performance of the Holdco Group for the period to 31 March 2023.

Defined terms used in this document have the same meanings as set out in the Master Definitions Agreement unless otherwise stated.

This Investor Report provides an update of the Holdco Group’s activities for the period to 31 March 2024 with some information as of 31 May 2024 or as indicated. It covers business, regulatory and financing developments. This Investor Report should be read in conjunction with the Annual Report and Accounts for the year ended 31 March 2024.

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# Overview

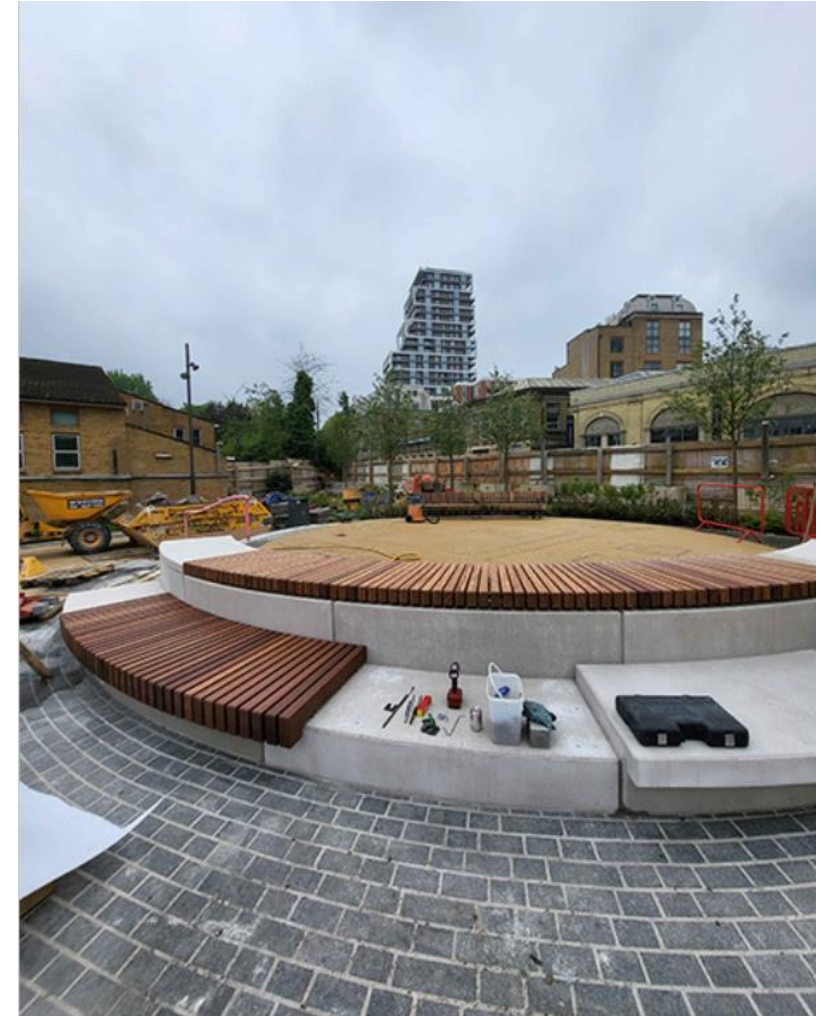
## H2 2023/24 Highlights:

- All tunnels and all 21 shafts have been secondary lined.
- The final shaft lid was lifted into place in the East Section in March 2024, which marked the end of main construction.
- System Commissioning commenced in April 2024, ahead of the Business Plan forecast. Following the successful removal of the isolation between the Lee Tunnel and the Tideway Tunnel, the two tunnels were connected into a single, live utility bringing us closer to our ultimate goal of cleaning up the River Thames. Our tunnel began its protection of the River Thames in May as the first flows entered our infrastructure.
- The project remains on track for Handover in the second half of 2025.
- Construction quality remains good with no critical defects reported.
- The Estimate at Completion (EAC) remains at £4.5bn but there has been a marginal increase of £26m over the last six months primarily associated with the impact of prolongation on costs.
- The annual bill impact for Thames Water customers remains well within the pre-Licence award estimate of £20-25 per household (in 2014/15 prices).
- We have continued to hand back areas on completion of construction.
- Tideway remains committed to completing the programme with zero fatalities or serious injuries, off or on-site.
- The project's three-day Accident Frequency Rate (AFR-3) of 0.18 comparable with other projects at an equivalent stage.



## Overview (continued)

- We have exceeded our 85% target for live Legacy commitments with 93% on track.
- The £250m from the latest green private placement were received in October 2023.
- The Borrower continues to have a strong liquidity position with total committed debt funding of £3,417m as at March 2024. This level of liquidity is sufficient to cover anticipated construction costs until Handover in 2025 and even a year after that.
- At 31 March 2024 gearing was at 68.7%, below the covenant level.
- The interest coverage ratio stood at 13.1x, well above the covenant level.
- Fitch affirmed the credit rating at BBB+ with a stable outlook. Moody's maintained the Baa1 rating with a stable outlook.
- No distributions were paid in the six months to 31 March 2024 and £35.9m was capitalised, taking the overall shareholder loan balance to £922.7m.
- Tideway earned the highest 'Dark Green' rating based on the Shades of Green methodology of S&P Global Ratings. The rating provided Tideway with a Second Party Opinion (SPO) on the latest £250m borrowing.



## Business Update – Health, Safety, and Wellbeing

- Tideway remains committed to completing the programme with zero fatalities or serious injuries, off or on-site. There were no major injuries\* during construction and no significant incidents as a result of our marine, MEICA or architecture and landscaping activities.
- The project's three-day Accident Frequency Rate - AFR-3 (injuries resulting in more than three days lost time for the individual involved) of 0.18 is comparable with other projects at an equivalent stage. The Accident Frequency Rate 7 (AFR-7) was 0.13.
- During the year, there were 12 lost-time incidents (compared to 13 in 2022/23). Three of the injuries sustained were RIDDOR specified and three were RIDDOR reportable for being over 7 days lost time. There were 12 high-potential near misses. Any incident classified as significant, including the above categories, is subject to thorough investigation to determine immediate and root causes, so we can identify and implement actions to prevent recurrence and ensure lessons are shared and learned.
- A RightWay in Commissioning Strategy Day took place in January, with representatives from across the Alliance, to discuss what RightWay will look like through the commissioning phases of the project. Key outcomes included the development and delivery of an additional, bespoke, induction programme specifically focussed on the changing risks as we become an operational utility. For those engaged directly in the future works, a series of training programmes have also been developed. The 'Safety Fundamentals' programmes consider the commissioning risks and the new safe systems of work, including permits to work and Lock Out Tag Out isolation protocols.
- 70 RightWay award nominations were received project-wide recognising achievements and good practice across our sites with a ceremony in September.
- We continue with our aim to focus on Health and Wellbeing to achieve relative parity with our work on Safety. We seek to minimise and mitigate any health risks arising from our work, whilst supporting the wider Health and Wellbeing of our workforce.
- With our Occupational Health (OH) Service Provider we continue to deliver targeted health and wellbeing education and support. Initiatives included noise, fatigue, drug and alcohol awareness campaigns, defibrillation demonstrations and continuing to engage the workforce with blood pressure, cholesterol, and glucose checks.

\* Major injury: any injury that could potentially lead to death, prolonged disability or permanently diminished quality of life.

## Business Update – Vision, Legacy, and Reputation

- In delivering a major infrastructure project across London we recognise the importance of engagement, transparency and building trust. We continue to ensure that the communities we are working in are kept up to date on the progress being made, potential impacts and how they are being mitigated. We issue regular communications on individual site progress to our neighbours and we hold regular forums to give updates to, and get feedback from, them. These methods, plus a 24-hour Helpdesk, ensure that we are always accessible.
- We hosted site visits and held briefings for stakeholders, including elected representatives, with an increasing interest in the financial model for the project as well as its construction and wider benefits. We also had regular fora with local authorities, consenting bodies and residents to explain our progress towards completion.
- Our legacy programme, underpinned by 54 measurable commitments, remains on track with a total of 93% (44 of 48) of our live legacy commitments achieved or on track against a target of 85%.
- With construction more than 90 per cent complete, we have achieved a 28% reduction on our anticipated carbon footprint of ~770,000 tCO<sub>2</sub>e.
- Our Visitor Centre, situated at our Abbey Mills site, has hosted around 300 visitors in 11 months.
- After the opening of the first new public realm at Putney Embankment in the first half of the year, we have also opened the ‘bug hotel’ at Barn Elms, which uses the back of the site kiosk to encourage biodiversity, the project’s first completed public artwork, a bronze plaque, at Hammersmith Pumping Station and a series of four sculptural elements at Dormay Street. The new park entranceway at King George’s Park has also now been opened.



## Interface with Thames Water

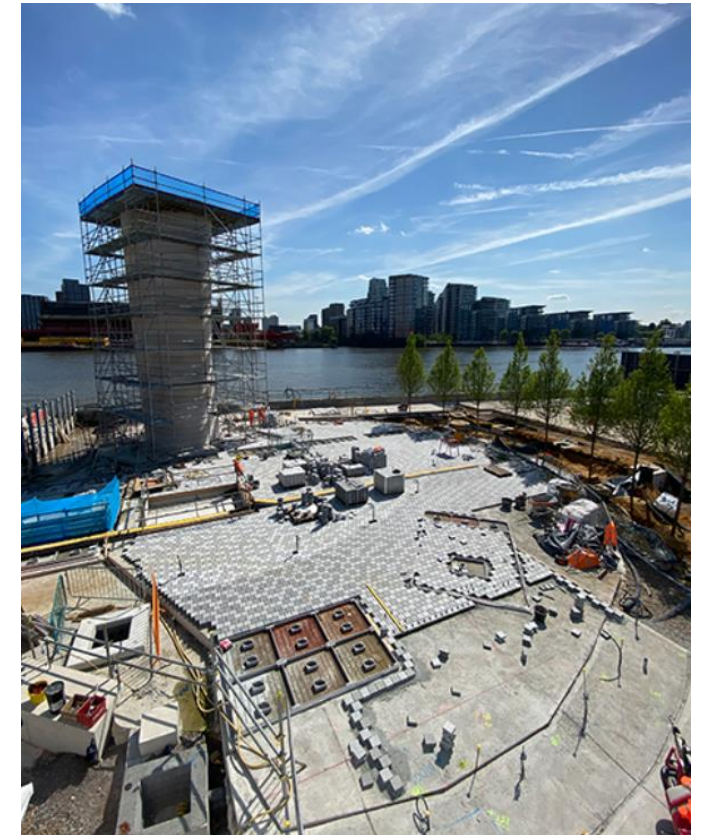
- The System Commissioning Plan was formally accepted by Thames Water enabling Tideway to commence the System Commissioning Phase in 2024 with the successful removal of the isolation between the Lee Tunnel and the Tideway Tunnel to form the London Tideway Tunnels.
- Dedicated teams from Tideway and Thames Water are working together on the implementation of the System Commissioning Plan to activate sites to the tunnel and prepare for storm testing during 2024.
- A dedicated Thames Water Operator Team has been trained by Tideway in the permanent and interim operational procedures required during commissioning and are now operating the London Tideway Tunnels under the guidance of Tideway Technical advisors.
- Thames Water continues to facilitate access to the Sewer Network to enable Tideway to activate individual sites to the Thames Tideway Tunnel and complete final construction and maintenance tasks.
- Tideway and Thames Water continue to implement robust asset protection arrangements for the Sewer Network during the carrying out of Tideway's Works.
- The Tideway and Thames Water property teams have jointly identified the land and rights requirements for the long-term lease which enables Thames Water to finalise land acquisition (with compulsory acquisition powers expiring in September 2024)
- Tideway and Thames Water continue to collaborate and implement the 'Joint Approach' to plan and delivery the earliest possible, Handover and System Acceptance.





## Regulatory Update

- Following Thames Water's submission of its PR24 business plan in October 2023, Tideway wrote to Ofwat in November 2023 setting out its views on the plan, including supporting spending essential for the later stages of the Thames Tideway Tunnel (TTT) project, and advocating for an effective incentive for timely System Acceptance. Ofwat intends to retain Thames Water's separate TTT price control for the 2025-30 period.
- Ofwat was expected to publish PR24 draft determinations (DDs) during June 2024, but this has been delayed to 11 July due to the upcoming General Election. Tideway will carefully review Thames Water's DD, particularly in respect of the TTT control, and will engage with Ofwat as appropriate.
- Tideway is monitoring the impact of Thames Water's corporate position and has received confirmation from Ofwat that the existing statutory and regulatory protections would continue to apply should Thames Water's status change. These include that the TTT is seen as essential for enabling Thames Water to comply with its sewerage duties under the Water Industry Act 1991 and that it has a licence obligation to pass revenues to Tideway under the Revenue Agreement. A licence breach by Thames Water is enforceable by Ofwat. There has been no impact on our revenue to date.
- In the run up to and during system commissioning and activation, Tideway has put in place enhanced stakeholder engagement to ensure that Ofwat, Government, the Environment Agency and other key organisations are aware of the latest developments around connection of the TTT to Thames Water's network and activation of the London Tideway Tunnels system.



# Investment Programme (I)

- Tideway completed underground construction activities in March 2024 with the lowering of a 24m-wide, 1,200-ton concrete cover onto the 70m-deep shaft at Abbey Mills Pumping Station.
- Surface level activities, primarily architecture and landscaping works, will continue in 2024 while commissioning works commence within underground structures and tunnels.
- In May 2024, teams from Tideway and Thames Water completed the vital connection of the new infrastructure with the Lee Tunnel creating a single London Tideway Tunnels system and marking the start of our commissioning phase.
- The first flows entered our infrastructure in May 2024.
- Future Business Plan milestones are:
  - Handover - second half of 2025
  - Planned System Acceptance – August 2027
- The estimate at completion remains at £4.5bn (vs £3.5bn regulatory baseline). Within this estimate there has been a marginal increase of £26m over the last six months (£51m over the last 12 months), primarily associated with the impact of prolongation on costs.



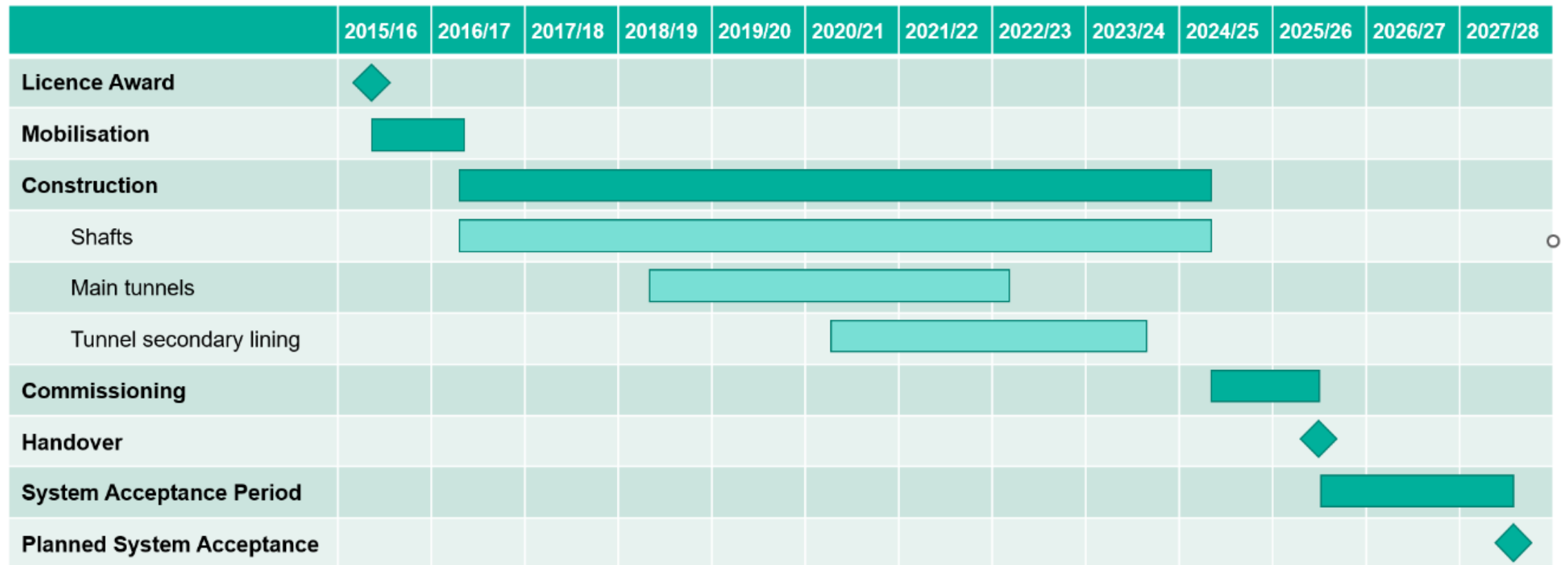
## Investment Programme (II)

- Total project costs incurred for the six-month period were £238.5m, taking the total capitalised costs incurred at 31 March 2024 to £5,400.7m.
- During the year significant progress was made by Tideway and all other Tideway Alliance members in preparing for system commissioning, with the System Commissioning Plan being finalised and formally accepted by Thames Water. Tideway and Thames Water agreed a deed of variation to the Interface Agreement in December 2023, a revised approach (Strategic Intent) to System Acceptance that allows operational and climatic data collection to commence at the earliest meaningful point. This is designed to increase the resilience of the programme leading to the formal Handover to Thames Water at the end of the System Commissioning period.
- Access and control of the below-ground structures will be controlled by CVB, who has been appointed as System Commissioning Principal Contractor and are supported by the Commissioning Management Team.
- The level of non-conformance and re-work on the project has continued to remain at a satisfactory level, with no critical defects being reported this year and to date on the project. As noted in our Interim Report 2023/24, infiltration of groundwater into some tunnel sections was identified during the year. Independent investigations have concluded that the level of infiltration does not present structural or durability issues. Monitoring will be carried out during the System Commissioning period to confirm in service performance ahead of final construction completion certification.
- Each of the MWCs' target prices have been adjusted to reflect Compensation Events (risks retained by Tideway). The primary areas of change to the MWCs relates to the close out of historical matters, finalisation of the programme to contractual completion and the implementation of Tideway's Phased Commissioning Plan requirements to the MWCs' scope of work. This includes the introduction of new and realignment of existing commercial incentives to maintain ongoing programme alignment between the MWCs and Tideway's programme objectives including the achievement of the Preliminary Commissioning Commencement milestone.

# Investment Programme – Project Schedule Update

The outline schedule sets out our current view on the schedule. It reflects our latest view following significant engagement with our delivery partners.

As we continue to deliver the project further changes might occur.

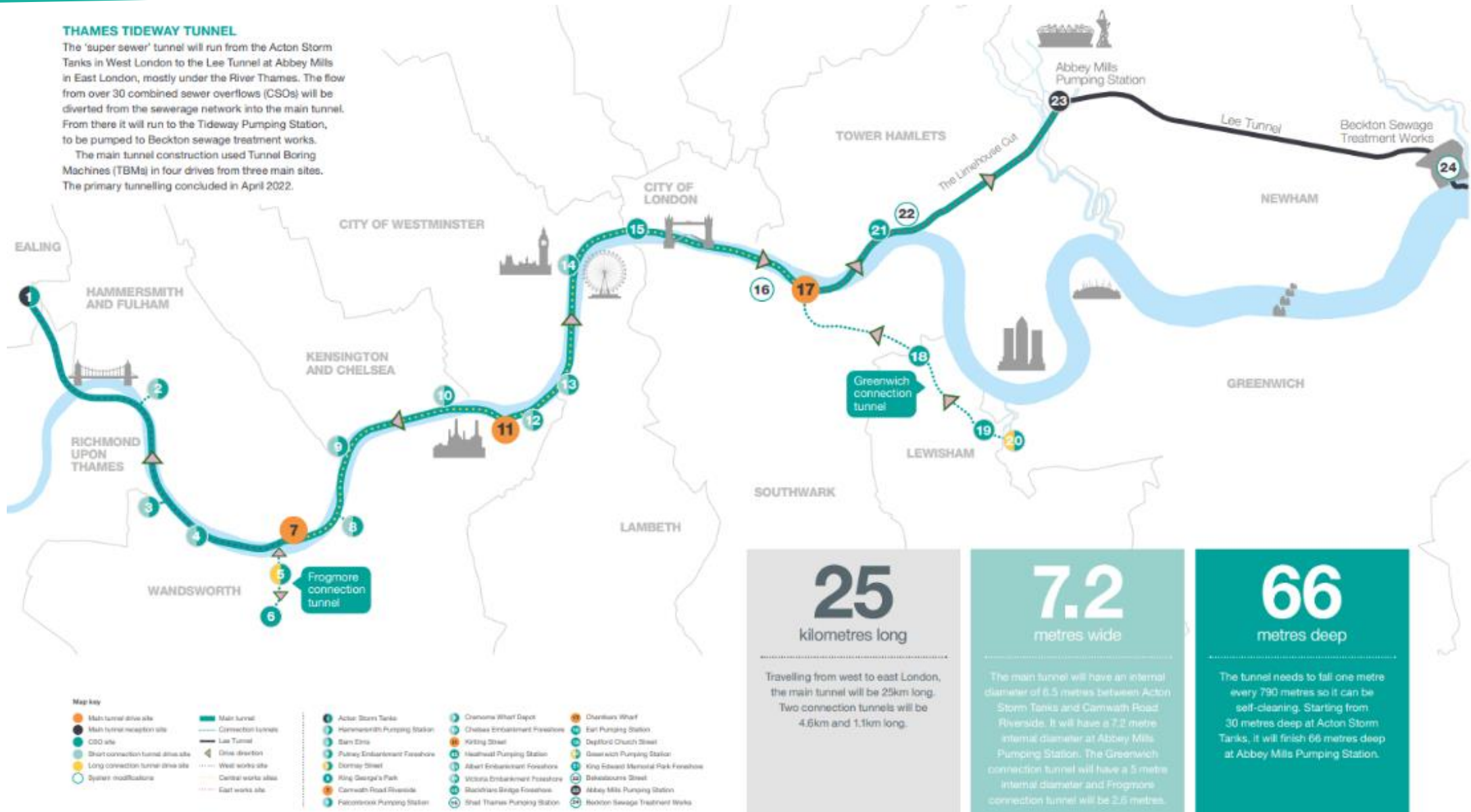


# The Tunnel Route

## THAMES TIDEWAY TUNNEL

The 'super sewer' tunnel will run from the Acton Storm Tanks in West London to the Lee Tunnel at Abbey Mills in East London, mostly under the River Thames. The flow from over 30 combined sewer overflows (CSOs) will be diverted from the sewerage network into the main tunnel. From there it will run to the Tideway Pumping Station, to be pumped to Beckton sewage treatment works.

The main tunnel construction used Tunnel Boring Machines (TBMs) in four drives from three main sites. The primary tunnelling concluded in April 2022.



**25**  
kilometres long

Travelling from west to east London, the main tunnel will be 25km long. Two connection tunnels will be 4.5km and 1.1km long.

**7.2**  
metres wide

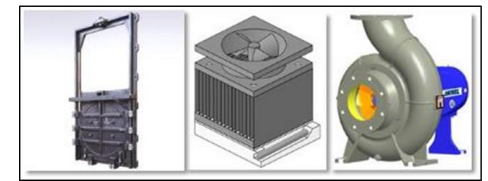
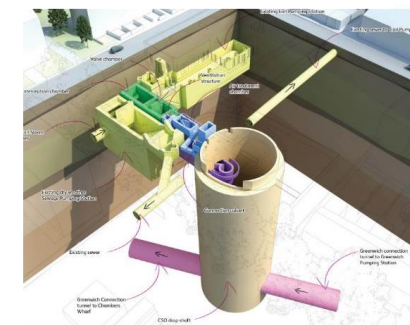
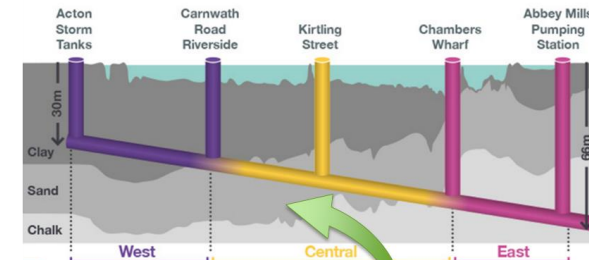
The main tunnel will have an internal diameter of 6.5 metres between Acton Storm Tanks and Camrath Road Riverside. It will have a 7.2 metre internal diameter at Abbey Mills Pumping Station. The Greenwich connection tunnel will have a 5 metre internal diameter and Frogmore connection tunnel will be 2.6 metres.

**66**  
metres deep

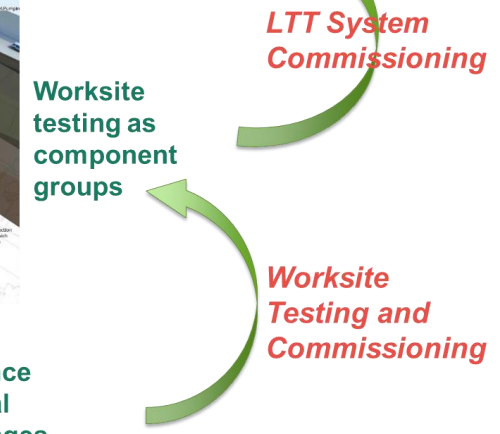
The tunnel needs to fall one metre every 790 metres so it can be self-cleaning. Starting from 30 metres deep at Acton Storm Tanks, it will finish 66 metres deep at Abbey Mills Pumping Station.

# System Integration and System Commissioning (I)

- In addition to the major civil construction works, there are several mechanical and controls elements of work that have been undertaken to enable the tunnel to be integrated with the existing sewer network and therefore operate as a system.
- The MWCs are responsible for providing the assets and packages that make up an individual worksite and the associated testing. They are making good progress in conducting Site Acceptance Tests once the penstocks, flap valves, isolation gates, access covers and air treatment units are installed. Integrated Worksite Tests are now being conducted to confirm the assets can be controlled from site PLC. The suite of worksite tests are witnessed by the Project Manager, the NEC Supervisor, and the System Commissioning Manager.
- The System Integrator (Amey) covers system-wide control integration including telemetry, IT systems, control room interfaces and software. The control system hardware has been installed and core system software development has been deployed. Equipment installation and site acceptance testing is progressing well and is now either complete or underway at most of the Main Works Contractors' sites. Testing of worksites back to the System Control Centre has successfully started.



Factory acceptance tests of individual assets and packages



- The System Commissioning Plan (SCP) is a set of 84 documents that has been progressively developed and agreed with Thames Water. The SCP documents identify the detailed activities, roles and responsibilities in governing the commissioning process to achieve key milestones. The Phased Commissioning approach provides resilience to mitigate potential programme risks that might delay the testing and commissioning process.
- Thames Water provided Tideway agreement on the SCP for the first stages of the commissioning process in April 2024.
- System Commissioning commences once the Pre-System Commissioning and Worksite Testing has been completed on the key assets. Commissioning brings the constructed assets into actual operation through a series of tests and activations. The Phases for Commissioning are discussed next.

# System Integration and System Commissioning (II)

Commissioning Commencement

Handover

Pre System Commissioning Activities		System Commissioning Activities				
Preliminary Commissioning	System Activation	Storm Testing — Half Tunnel		Storm Testing — Full Tunnel (LTT OT)		Final Inspections and Maintenance
Final Isolation Removal	Site-by-Site Activation	Storm Test 1 Extreme Wet Weather	Storm Test 2 Normal Wet Weather	Storm Test 3 Fill to capacity	Storm Test 4 Automatic operation	Prep for Handover

- Phased Commissioning consists of the following phases:
  - Preliminary Commissioning, in which the bulkhead (isolation wall) that separates the Thames Tideway Tunnel and the Lee Tunnel will be removed, resulting in the formation of the London Tideway Tunnels System (LTT). The first milestone: Preliminary Commissioning Commencement Date (PCCD) was achieved on 29th April 2024 and allowed the start of the removal of the isolation.
  - System Activation, in which the sites, starting with Abbey Mills, are allowed to direct storm flows into the tunnel. The Tideway Tunnel sites will follow a logical, timed sequence that has been agreed with Thames Water to steadily increase flow into the tunnel. The second milestone of: System Activation Commencement Date (SACD) was achieved on 13th May 2024.
  - Storm Testing in two phases.
    - Half-tunnel levels to ensure the integrated LTT system is performing as expected prior to introducing more volume of storm sewage into the tunnel
    - Full tunnel levels to test and demonstrate that the system can be operated as per the Operating Techniques and is Fit for Purpose
  - Final inspections and maintenance, including a tunnel inspection, prior to transferring maintenance from MWCs to Tideway’s maintenance contractor and achieving Handover.
- When commissioning activities have completed, documentation and records have been transferred, and the Handover Criteria are met, Thames Water will issue a Handover Certificate.
- Following Handover, System Acceptance tests will be conducted by Thames Water with the support of Tideway to optimise operation and maintenance activities and to demonstrate System capacity in relation to intense storm events. When the System has been monitored over a range of climatic and operational scenarios and certain System Acceptance Criteria have been met, Thames Water will issue a System Acceptance Certificate.

# Financing Activity

- Since Licence Award, Tideway has made significant progress in the implementation of its financing strategy, raising £3.3bn of long-term debt as at 31 March 2024.
- In June 2023 Tideway secured £250m of additional nominal debt from a green private placement and the funds were received in October 2023.

Debt £M	RCF	EIB	RPI loan	RPI bonds	CPI bonds	Nominal	Total
<b>Drawn</b>		700	100	932	350	1175	3257
<b>Undrawn</b>	160						160
<b>Total</b>	<b>160</b>	<b>700</b>	<b>100</b>	<b>932</b>	<b>350</b>	<b>1175</b>	<b>3417</b>

- At 31 March 2024, we had total liquidity of £536.3m, comprising £376.3m of unrestricted cash and short-term deposits and the £160m undrawn RCF. This, combined with expected revenue collections, provides liquidity significantly in excess of our 12-month target, including all liquidity required to Handover and even a year after that.
- There were no new derivative transactions in the period – our derivative portfolio continues to include the swaps hedging the first eight tranches of our £700m EIB loan and £70m of our £300m USPP 2017 notes.
- As of 31 March 2024, we had received £1,274m from our shareholders in the form of £509.7m in equity and £764.5m as shareholder loans, which was the full commitment at Licence Award. No distributions were paid in the period (H2) and £35.9m were capitalized and added to the shareholder loans taking the overall balance to £922.7m.
- In March 2024 Moody's maintained our Baa1 rating with a stable outlook and in May 2024 Fitch affirmed our credit rating at BBB+ with a stable outlook.



# Financing Activity

£3.3bn long term debt

£160m RCF

100% needs to Handover

Refinancing from 2025 (EIB) and 2027 (bond)

£1.3bn of debt portfolio matures or resets around 2030 (2027-2032)

Index Linked debt as % of RCV

Mar 2024  
54.2%

Gearing remains below the covenant trigger / default levels (70%/80%)

Mar 2024  
Net debt/  
RCV  
68.7%

Index Linked debt as % of total debt

Mar 2024  
71.2%

The interest coverage ratio remains well above the covenant trigger / default levels (1.30x / 1.10x)

Mar 2024  
ICR  
13.07x

## Financing Activity – Sustainable Finance

- Tideway has 18 green bonds totalling £1.8bn listed in the London Stock Exchange Sustainable Bond Market, two green PPs for £75m and £250m and a £160m Sustainability-Linked Revolving Credit Facility.
- Our total sustainable financing to date stands at £2.3bn.
- Our green issuance is covered by a Second Party Opinion from S&P Global Ratings which has awarded Tideway Dark Green status with an Excellent governance score. The opinion was updated in September 2023.
- S&P Global Ratings completed an updated Environmental, Social and Governance Evaluation of Tideway in June 2023. Tideway achieved a score of 77/100, a one-point uplift from the previous assessment in 2022.
- The agreed KPI in the Sustainability-Linked RCF is the meeting of at least 85% of the live Legacy Commitments and as at 31 March 2024 we exceeded the target by meeting 93% of the live commitments.
- Our annual Sustainability Report was published in June 2024. It shows the progress against our legacy commitments and is aligned with the United Nations Sustainable Development Goals at target level. It also includes information for investors on the allocation of proceeds and impact of the project in line with ICMA's Green Bond Principles and LMA's Sustainability-linked Loan Principles.
- Our FY23/24 annual report published in June 2024 includes a compliance statement, which highlights how our disclosures align with Taskforce on Climate-related Financial Disclosures (TCFD).
- The sustainable financing strategy is supported by the Sustainable Finance Framework, last updated in July 2023. It is aligned with the International Capital Markets Association (ICMA) Green Bond Principles and the Loan Market Association (LMA) Green Loan Principles, as well as with the Loan Market Association Sustainability Linked Loan Principles.



# Historical Financial Performance

The information in this and the next two pages is in respect of BTL, the operating company. Please see our website for BHL group accounts.

During the year ended 31 March 2024, the Company reported a profit of £14.5m (2022/23: £144.6m profit). This is a result of fair value movements on the Company's derivative financial instruments. The tunnel asset under construction totalled £5,400.7m at 31 March 2024 (2022/23: £4,832.0m).

Analysis of Project Costs and the equivalent Net Cash Outflows (£m)	Year ended 31 March 2024			Year ended 31 March 2023		
	Costs	Timing Differences	Cash Outflow	Costs	Timing Differences	Cash Outflow
Direct Costs	284.6	8.1	292.7	401.0	51.5	452.5
Indirect Costs	68.7	(9.6)	59.1	58.6	(1.4)	57.2
<b>Total Allowable</b>	<b>353.3</b>	<b>(1.5)</b>	<b>351.8</b>	<b>459.6</b>	<b>50.1</b>	<b>509.7</b>
Excluded Costs	215.4	(207.7)	7.7	356.1	(288.5)	67.6
<b>Total</b>	<b>568.7</b>	<b>(209.2)</b>	<b>359.5</b>	<b>815.7</b>	<b>(238.4)</b>	<b>577.3</b>

## Allowable Costs

Allowable Costs of £353.3m (2022/23: £459.6m) include £284.6m of Direct costs and £68.7m of Indirect costs.

## Direct Costs

Direct costs are primarily the MWCs costs and the System Integrator Contract so reflect costs directly related to the tunnelling programme such as secondary lining works and also other related construction activities such as shaft construction and marine works. Direct costs have reduced compared to 2022/23 as the project comes closer to completion.

## Indirect Costs

The largest indirect costs are resource costs of £46.5m. This represents the cost to employ an average of 232 Full Time Equivalents (FTEs) (2022/23 c252 average FTEs) either employed or contracted by the Company. Other Indirect Costs totalled £22.2m in the year and this includes the cost of information systems, insurance, GSP, office and other running costs.

## Excluded Costs

Excluded costs (on accruals basis) for the year ended 31 March 2024 were £215.4m (2022/23: £356.1m). These comprise £232.0m of interest expense (including shareholder loan interest) and £3.3m of costs which mainly relate to financing, partly offset by £19.8m interest income. Excluded costs are significantly lower than 2022/23 mainly as a result of the impact of lower inflation on existing index linked debt versus the levels of inflation seen during the prior year.

Analysis of Capitalised Costs (£m)	Year ended 31 March 2024	Year ended 31 March 2023
Direct Costs	284.6	401.0
Indirect Costs	68.7	58.6
<b>Total Allowable</b>	<b>353.3</b>	<b>459.6</b>
Excluded costs	215.4	356.1
<b>Total Capitalised Costs</b>	<b>568.7</b>	<b>815.7</b>

# Historical Financial Performance (continued)

## Cash Flow and Cash

Net cash flows from operating activities of £115.8m in the year ended 31 March 2024 (2022/23: £35.3m) represent movements in working capital and are mainly driven by timing of payments to our Main Works Contractors and the receipt of regulated revenue payments from Thames Water which are deferred on the Statement of Financial Position during the construction phase of the project.

Net cash flows used in investing activities of £369.8m (2022/23: £582.7m) show the gross cash outflows used in constructing the Thames Tideway Tunnel as well as movements to short-term deposits which represent money market funds where cash is held on deposit.

The net cash inflows from financing activities of £314.2m (2022/23: £321.2m) are largely the result of £315.7m proceeds from new borrowings (£250.0m US Private Placement loan, and £65.5m indexed link bonds), partly offset by £1.5m repayment of lease liabilities.

## External Debt

Net debt at 31 March 2024 was £3,670.5m, which was £383.5m higher than the £3,287.0m net debt at 31 March 2023.

At 31 March 2024, the Company's total borrowings were £4,760.1m being £922.7m of shareholder loans and £3,837.4m of other borrowings which include third party borrowings and intra group debt. The Revolving Credit facility of £160.0m remained undrawn during the period.

A list of Tideway's external debt facilities can be found on page 26.

Cash Flow (£m)	Year ended 31 March 2024	Year ended 31 March 2023
<b>Cash generated from operations before changes in working capital</b>	-	-
Decrease in trade and other payables	(19.7)	(45.5)
Decrease/(increase) in trade and other receivables	29.0	(5.9)
Increase in advance payment liability	106.5	86.7
<b>Net cash from operating activities</b>	<b>115.8</b>	<b>35.3</b>
<b>Construction of infrastructure asset</b>	<b>(359.8)</b>	<b>(507.7)</b>
Transfers from to short-term deposits	(10.0)	(75.0)
<b>Net cash used in investing activities</b>	<b>(369.8)</b>	<b>(582.7)</b>
Proceeds from new borrowings	315.7	323.2
Repayment of lease liabilities	(1.5)	(2.0)
<b>Net cash from financing activities</b>	<b>314.2</b>	<b>321.2</b>
<b>Net increase in cash and cash equivalents during the period</b>	<b>60.2</b>	<b>(226.2)</b>
Cash and cash equivalents at the start of the period	107.5	333.7
<b>Cash and cash equivalents at the end of the period</b>	<b>167.7</b>	<b>107.5</b>

# Historical Financial Performance (continued)

## Fair value measurements and valuation

Tideway has entered into long-term swaps with commercial banks to hedge the interest rate for tranches one to eight of the £700m EIB loan secured in May 2016 and £70m of the £300m US Private Placement notes secured in September 2017.

These are long-term swaps which we entered into with commercial banks to economically hedge the interest costs of the Group's debt. The swaps fix finance costs for the Group's regulatory period in a cost-effective manner and ensure that we benefit from low-cost financing. The movement in fair value of these financial instruments is recognised in the Income Statement because, under IAS 23 these do not represent current borrowing costs incurred for financing the project and so, unlike our other expenditure, cannot be capitalised.

During the year ended 31 March 2024, there was a fair value gain of £14.5m on the index-linked swaps, which is seen in the Income Statement.

## Tax

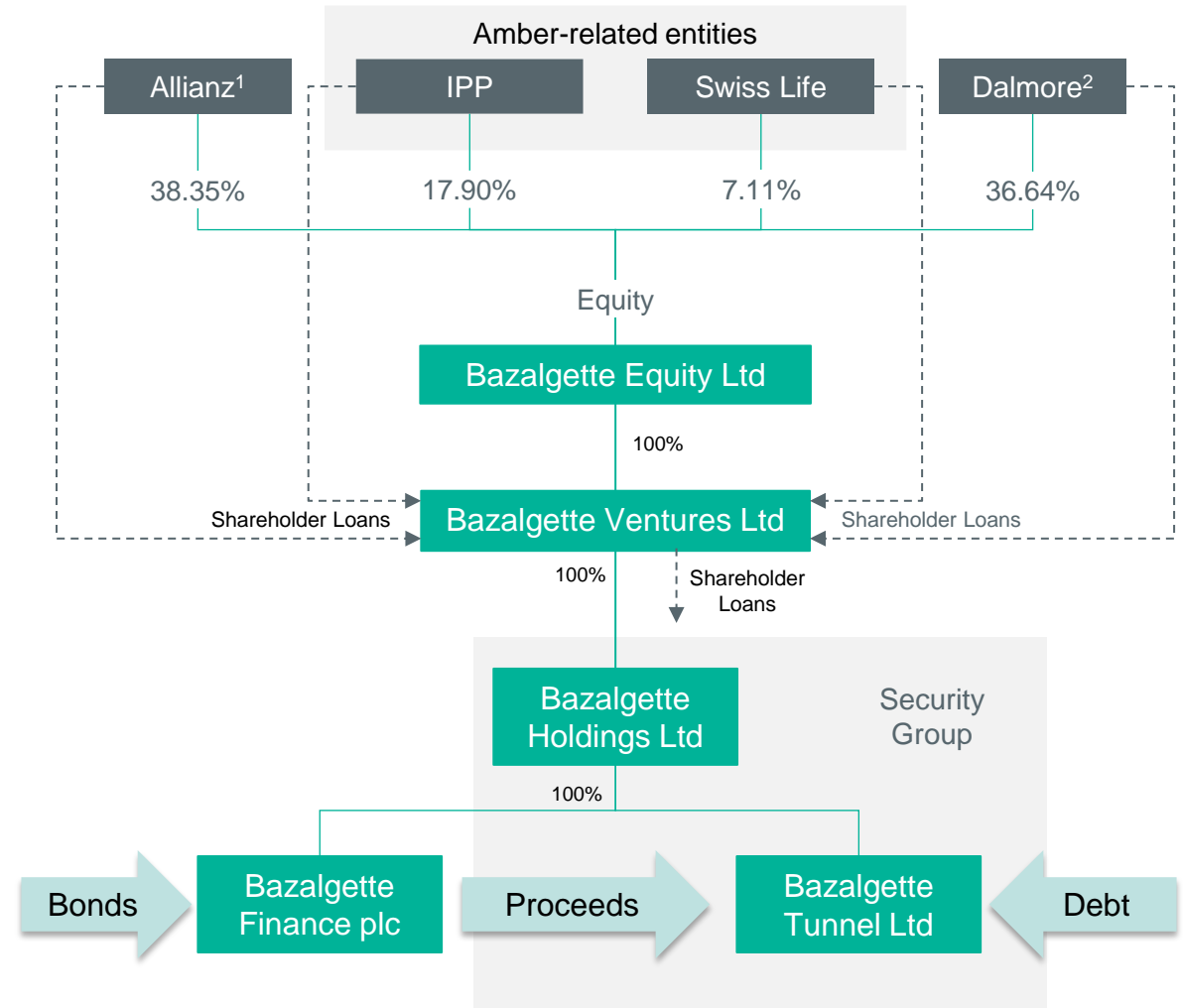
We have made a 'disregard election' to HMRC effective 1 April 2016, which means that any gains or losses arising from the movement in the fair value will be disregarded for current tax purposes.

We did not recognise any taxable profits in the period (2022/23: £nil) and the resulting corporation tax charge for the period was £nil (2022/23: £nil).

Further information on the financial performance of the Group can be found on our website.

# Tideway Corporate Structure

- In September 2022, DIF Capital Partners divested its 10.66% stake in Tideway.
- The stake was acquired by the Company's other existing shareholders, an affiliate of Allianz Capital Partners, an affiliate of Dalmore Capital and two Amber Infrastructure-related entities (International Public Partnerships and Swiss Life Asset Managers).
- The transaction came about as one of DIF's underlying investment funds was coming to the end of its fund life.



Notes:

<sup>1</sup> Allianz's shareholding in Tideway is held by two funds: Allianz European Infrastructure II Acquisition Holdings S.a.r.l. & Allianz Infrastructure Luxembourg I S.a.r.l.

<sup>2</sup> Dalmore's shareholding in Tideway is held by two entities: Dalmore Capital 14 GP Ltd & Auger Bore Investments Ltd

# Financial Ratios

We confirm that in respect of this Investor Report as of 31 March 2024, by reference to the most recent Financial Statements that we are obliged to deliver in accordance with paragraph 1 (Financial Statements) of Part A (Information Covenants) of Schedule 3 (Holdco Group Covenants) of the CTA:

- a) the Senior RAR<sup>(1)</sup> in respect of the relevant Test Period is equal to 68.7%
- b) The FFO ICR<sup>(2)</sup> in respect of the relevant Test Period is equal to 13.07x
- c) The average FFO ICR in respect of the relevant Test Period is equal to 7.44x

(together ***the Ratios***)

We confirm that the above Ratios have been calculated in respect of the Test Period(s) or as at the Test Dates for which it is required to be calculated under the CTA.

# Other Reportable Matters

## Significant management and board changes H2 2023/24

- Post period end the Company announced that Sir Neville Simms will be stepping down in September 2024 as the independent Chair and he will be succeeded by independent non-executive director Michael Queen. Richard Morse, who has served as Deputy Chair and Chair of the Audit and Finance Committee, will retire from the Board in June 2024 and he will be replaced by independent non-executive director Baroness Ruby McGregor-Smith.

## Acquisitions and disposals H2 2023/24

- There have been no acquisitions and disposals in the period.

## Current Hedging Position

- The current swap portfolio can be found on page 27 in the appendix.



# Confirmation

We confirm that:

- a) no Default or Trigger Event has occurred and is continuing;
- b) the Borrower is in compliance with the Hedging Policy;
- c) the statements set out in this Investor Report are accurate in all material respects; and
- d) the insurances are being maintained in accordance with paragraph 28 (Insurance) of Part C (General Covenants) of Schedule 3 (Holdco Group Covenants) to the CTA.



Mathew Duncan,

Chief Financial Officer

For and on behalf of Bazalgette Tunnel Limited as Holdco Group Agent

# Debt Portfolio – March 2024

## BTL Debt Portfolio

Facility	Amount (£m)	Type	Drawdown date	Maturity (CY)
£80m Tranche 1	108	EIB loan	Jul-18	2051
£80m Tranche 2	107	EIB loan	Jan-19	2051
£80m Tranche 3	105	EIB loan	Jul-19	2051
£80m Tranche 4	105	EIB loan	Jan-20	2051
£80m Tranche 5	104	EIB loan	Jul-20	2051
£80m Tranche 6	103	EIB loan	Jan-21	2051
£80m Tranche 7	103	EIB loan	Mar-21	2051
£60m Tranche 8	76	EIB loan	Jul-21	2051
£40m Tranche 9	49	EIB loan	Jan-22	2051
£40m Tranche 10	45	EIB loan	Jul-22	2051
<b>Subtotal EIB Loan</b>	<b>906</b>			
£300m 2.86%	327	USPP Loan Note	Sep-17	2032
£75m 2.418%	75	Green USPP Loan Note	Sep-21	2041
£250m 6.02%, 6.05%,6.11%	250	Green USPP Loan Note	Oct-23	2033,2035,2038
<b>Subtotal Nominal</b>	<b>652</b>			
£100m RPI + 0.01%	131	Loan	Sep-19	2049
<b>Subtotal RPI Loan</b>	<b>131</b>			
<b>TOTAL</b>	<b>1689</b>			
RCF	160	Sustainability-linked Revolver	N/A	2028

Debt £m	Drawn	Undrawn	Total
RCF		160	160
RPI	2,316		2,316
CPI	411		411
Nominal	1,105		1,105
Lease	1		0.8
<b>Total</b>	<b>3,833</b>	<b>160</b>	<b>3,993</b>
Cash	376		
<b>Net Debt £m</b>	<b>3,456</b>		

Note: Cash excludes £43.6m of restricted cash.

Drawn facilities

Undrawn facilities

## BFP Debt Portfolio

Facility	Amount (£m)	Type	Drawdown date	Maturity (CY)
£75m CPI + 0.828%	96	Green Bond	Aug-17	2047
£200m CPI+ 0.74%	229	Green Bond	Nov-17	2042
£75m CPI + 0.949%	85	Green Bond	May-22	2052
<b>Subtotal CPI</b>	<b>411</b>			
£100m RPI + 0.688%	136	Green Bond	Jun-18	2050
£100m RPI + 0.249%	134	Green Bond	Dec-18	2040
£100m RPI + 0.755%	132	Green Bond	Jun-19	2051
£125m RPI + 0.192%	176	Green Bond	Jul-19	2049
£25m RPI + 1.035%	33	Green Bond	Jun-20	2048
£50m RPI + 0.787%	65	Green Bond	Jun-20	2052
£25m RPI + 0.951%	33	Green Bond	Jun-20	2054
£25m RPI + 1.042%	32	Green Bond	Jul-21	2048
£25m RPI + 0.954%	32	Green Bond	Jul-21	2054
£75m RPI + 0.01%**	94	Green Bond	Aug-21	2036
£150m RPI + 0.01%*	178	Green Bond	Apr-22	2032
£50m RPI + 0.074%	68	Green Bond	May-22	2049
£50m RPI + 0.174%	68	Green Bond	May-23	2049
<b>Subtotal RPI</b>	<b>1182</b>			
£250m 2.375%	250	Green Bond	Nov-17	2027
£300m 2.75%	300	Green Bond	Mar-22	2034
<b>Subtotal Nominal</b>	<b>550</b>			
<b>Total</b>	<b>2143</b>			

(\*) re-offer price of 100.24% reflecting negative yield of -0.014%

(\*\*) re-offer price of 112.157% reflecting negative yield of -0.754%

## Swap Portfolio – March 2024

- During FY 2016/17 Tideway swapped tranches 1-8 of the EIB loan with various banks to index linked (RPI) format and agreed to draw tranches 9-10 in index linked format directly from the EIB.
- In September 2017, Tideway swapped £70m notional of the USPP.
- The swaps mature in 2030-2032 which is the beginning of Tideway's next regulatory period where the regulatory framework is expected to change to CPIH from RPI.
- There were no new hedges in the period.

Swap	Facility	Notional (£m)	Effective date	Swap maturity	Interest rate
Swap 1	EIB	80	Jul 2018	Mar 2030	RPI - 0.125%
Swap 2	EIB	80	Jan 2019	Mar 2030	RPI - 0.122%
Swap 3	EIB	80	Jul 2019	Mar 2030	RPI - 0.018%
Swap 4	EIB	80	Jan 2020	Jan 2031	RPI - 0.750%
Swap 5	EIB	80	Jul 2020	Jan 2031	RPI - 0.484%
Swap 6	EIB	80	Jan 2021	Jan 2031	RPI - 0.573%
Swap 7	EIB	80	Mar 2021	Jan 2032	RPI - 0.468%
Swap 8	EIB	60	Jul 2021	Jan 2032	RPI - 0.550%
Swap 9	USPP	70	Sep 2017	Mar 2030	RPI - 0.455%

## Reference to the CTA

The table below summarises the requirements of the Investor Report as per Schedule 6 of the CTA and references in this document.

Requirement	Reference
General overview	Page 4-5, Overview
Regulatory and Business update	Page 6-9, Regulatory and Business Update Page 10-15, Investment Programme
Capital Expenditure	Pages 19-21, Historical Financial Performance
Financing	Page 16-18, Financing Activity
Acquisitions or Disposals	Page 24, Other Reportable Matters
Current Hedging Position	Page 27, Swap Portfolio
Ratios	Page 23, Ratios



**Tideway**

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